

**MONROE COUNTY LAND BANK FAST TRACK AUTHORITY
MONROE COUNTY, MICHIGAN**

ANNUAL FINANCIAL REPORT

December 31, 2012

**MONROE COUNTY LAND BANK FAST TRACK AUTHORITY
MONROE COUNTY, MICHIGAN**

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December 31, 2012*

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Independent Auditor's Report

Board of Directors
Monroe County Land Bank Fast Track Authority
Monroe County, Michigan 48161

We have audited the accompanying basic financial statements of the Monroe County Land Bank Fast Track Authority, as of and for the year ended December 31, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Monroe County Land Bank Fast Track Authority, as of December 31, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe County Land Bank Fast Track Authority, Monroe County, Michigan's financial statements as a whole. The other supplementary information is for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cooley Hell Wollgamuth & Carlton

May 15, 2013

**MONROE COUNTY LAND BANK FAST TRACK AUTHORITY
MONROE COUNTY, MICHIGAN**

*Management's Discussion and Analysis
Year Ended December 31, 2012*

Using this Annual Report

This annual report consists of the *Independent Auditor's Reports*, the *Management's Discussion and Analysis* (this section), and the *basic financial statements*. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Required Financial Statements

The Authority's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about their activities. The Statement of Net Position includes all of the Authority's assets and liabilities. This statement provides information about the nature of the assets and the obligations of the Authority. In addition, this statement provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the revenues and expenses for the current year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures how well the Authority covered the costs for services during the past year. The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to the origins of income, the uses, and the changes in the cash balance during the reporting period. GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, permits the omission of comparative information in the first year of adoption and, considering that this is the initial year of operations, the Authority has elected to exclude the information in this report. Subsequent reports will include comparative information.

Condensed Financial Information

Table I below provides key financial information of the Authority's Statement of Net Position.

Table I:

**Condensed Statement of Net Position
December 31,**

	<u>2012</u>
Current Assets	<u>\$80,863</u>
Total Assets	80,863
Liabilities	<u>0</u>
Unrestricted Assets	<u>80,863</u>
Total Net Position	<u><u>\$80,863</u></u>

The Authority's net position increased by \$80,863 this year, as 2012 was the Authority's first year in business.

MONROE COUNTY LAND BANK FAST TRACK AUTHORITY
MONROE COUNTY, MICHIGAN

Management's Discussion and Analysis
Year Ended December 31, 2012

Condensed Financial Information (Concluded)

Table II below provides key financial information of the Authority's Statement of Revenues, Expenses, and Changes in Net Position.

Table II:

Changes in Net Position	
Year Ended December 31,	
	<u>2012</u>
Operating Revenues	\$90,000
Operating Expenses	<u>9,137</u>
Changes in Net Position	80,863
Beginning Net Position	<u>0</u>
Ending Net Position	<u><u>\$80,863</u></u>

The Authority operates with one fund, an enterprise fund on a full accrual basis of accounting similar to private sector companies. The Authority's primary sources of revenue are from contributions from the County of Monroe and proceeds from the sale of property. Contributions accounted for 56% of revenues, while proceeds from the sale of property accounted for 44%. One property was purchased and sold during 2012. Operating expenses include property acquisition costs, costs of property sold, property taxes, professional fees, and software.

Capital Assets and Debt Administration

The Authority did not purchase any capital assets this year.

The Authority does not have any debt obligations.

Budgetary Highlights

The Governing Board adopted the budget in May 2012. The budget was not amended during the year. Budgeted revenues totaled \$89,050 and budgeted expenses totaled \$50,050.

Economic Factors and Next Year's Budgetary Highlights

The Authority expects to increase activity in 2013 due to the number of homes in foreclosure. The Authority intends to purchase properties in foreclosure with the potential to be revitalized and locate stable buyers to return the properties back to the tax rolls. The proposed budget estimates revenues at \$45,500 and expenses at \$43,700.

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's citizens and customers with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the Monroe County Fast Track Land Bank Authority, 51 South Macomb Street, Monroe, MI 48161.

**MONROE COUNTY LAND BANK FAST TRACK AUTHORITY
MONROE COUNTY, MICHIGAN**

*Statement of Net Position
December 31, 2012*

Assets

Cash	<u>\$80,863</u>
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Total Assets	80,863
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Liabilities

0

Net Position

Unrestricted	<u>80,863</u>
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Total Net Position	<u><u>\$80,863</u></u>
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See accompanying notes to financial statements.

MONROE COUNTY LAND BANK FAST TRACK AUTHORITY
MONROE COUNTY, MICHIGAN

Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2012

Operating Revenues

Property sales	\$40,000
Contributions	<u>50,000</u>
Total Revenues	90,000

Operating Expenses

Property acquisition costs	1,300
Cost of property sold	655
Property taxes	1,205
Supplies	122
Professional fees	3,255
Software	<u>2,600</u>
Total Expenses	<u>9,137</u>

Change in Net Position

	80,863
Net Position - Beginning of Year	<u>0</u>
Net Position - End of Year	<u><u>\$80,863</u></u>

See accompanying notes to financial statements.

**MONROE COUNTY LAND BANK FAST TRACK AUTHORITY
MONROE COUNTY, MICHIGAN**

*Statement of Cash Flows
For the Year Ended December 31, 2012*

Cash Flows from Operating Activities

Receipts from customers	\$90,000
Payments to suppliers	<u>(9,137)</u>
Net cash provided by operating activities	80,863

Net Increase (Decrease) in

Cash and Cash Equivalents	80,863
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Cash and Cash Equivalents - Beginning of Year	<u>0</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$80,863</u></u>
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Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	<u>\$80,863</u>
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Net Cash Provided by Operating Activities	<u><u>\$80,863</u></u>
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See accompanying notes to the basic financial statements.

MONROE COUNTY LAND BANK FAST TRACK AUTHORITY
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2012

Note 1 Reporting Entity

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships.

The Monroe County Land Bank Fast Track Authority (the "Authority") was incorporated pursuant to the Michigan Land Bank Fast Track Act (Public Act 258) and an intergovernmental agreement between the Authority and the County of Monroe, Michigan (the "County"). The Authority was legally established February 1, 2012. No other governmental entities are part of the Authority. The Authority is governed by a five-member board, the chair of which, by law, is the Monroe County Treasurer. The Authority's other members consist of one township or city official, located in Monroe County, two members at large that must be residents of Monroe County, and one member of the County Board. All members except the County Board Member are initially appointed by the County Treasurer. The County Board Member is appointed by the County Board. One member is appointed for two years, and the other members are appointed for three years. After the expiration of initial terms, the members will be appointed by a majority vote of the Authority for two year terms.

Note 2 Summary of Significant Accounting Policies

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority's financial statements are prepared using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

B. Basis of Accounting and Financial Statement Presentation

The Authority's basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows, as required by GASB 34.

The Authority has one proprietary fund, which is an enterprise fund, used to account for the activities of the Authority consisting of sales of property to individuals, commercial entities, and non-profit organizations, rental of properties to individuals, rehabilitation, and demolition of properties in preparation for sale for future development.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods (in this instance property) in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the Authority are proceeds from the sale of property and contributions from the County. Operating expenses consist of the acquisition cost of property sold, property maintenance, and certain administrative expenses. All other revenue and expenses are considered non-operating.

MONROE COUNTY LAND BANK FAST TRACK AUTHORITY
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2012

Note 2 Summary of Significant Accounting Policies (Continued)

C. Deposits

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term deposits with maturity of three months or less when acquired.

D. Property Inventory

The Authority may acquire by gift, devise, transfer, exchange, foreclosure, purchase, or otherwise, real or personal property, or rights or interests in real or personal property, on terms and conditions and in a manner the Authority considers proper. The properties are initially inventoried at the amount paid. The costs to rehabilitate a particular property that materially add value as well as an allocated portion of administrative costs are added to the cost of that property. Foreclosed tax delinquent property is transferred to the Authority and possession is taken at a minimum auction price that is assigned by the County Treasurer. The authority did not hold any property inventory at year end.

E. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position is unrestricted when other net position does not meet the definition of net position in capital assets or is restricted and is available for general use.

E. Budget

A budget is adopted by the Authority's Board of Directors. The budget is adopted at the activity level. The Board of Directors is authorized to transfer budget amounts within an activity and to make authorized amendments to the original approved budget. Unexpended appropriations lapse at year end.

J. Subsequent Events

The Authority's management evaluated subsequent events from December 31, 2012 through May 15, 2013, the date the financial statements were available to be issued.

Note 3 Deposits and Investments

Statutes authorize the Authority to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Authority may not be deposited in financial institutions located in states other than Michigan.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. The Authority is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

MONROE COUNTY LAND BANK FAST TRACK AUTHORITY
MONROE COUNTY, MICHIGAN

Notes to Financial Statements
Year Ended December 31, 2012

Note 3 Deposits and Investments (Continued)

The Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Board has adopted an investment policy authorizing certain types of investments and authorized one depository: Monroe Bank & Trust.

Interest rate risk - The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - The Authority will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Authority's investment policy. United States treasury securities are explicitly guaranteed by the U.S. government and not considered to have credit risk.

Concentration of credit risk - The Authority does not place any limits on the amount the Authority may deposit or invest in any one issuer.

Custodial credit risk - Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover the collateral securities in the possession of an outside party. The Authority has \$80,863 invested in a checking account. The Authority's deposits are insured by the FDIC in the amount of \$80,863.

Foreign currency risk - The Authority is not authorized to invest in investments which have this type of risk.

Note 4 Related Party Transactions

The Authority received a contribution of \$50,000 from the County of Monroe.

Note 5 Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors, and omissions. The Authority has commercial insurance for property loss, torts, errors, and omissions through the County of Monroe.



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Board of Directors
Monroe County Land Bank Fast Track Authority
Monroe County, Michigan

In planning and performing our audit of the financial statements of the Monroe County Land Bank Fast Track Authority as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency.

Financial Statements

The Authority does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to present required financial statement disclosures. As is the case with many smaller and medium-sized entities, the Authority has relied on independent external auditors to assist in the preparation of the government-wide financial statements and footnotes. As a result of this condition, the Authority lacks internal controls over the preparation of the financial statements in accordance with GAAP.

Board of Directors
Monroe County Land Bank Fast Track Authority

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This communication is intended solely for the information and use of the Authority Board, management, others within the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cooley Hehl Wohlgemuth & Carlton

May 15, 2013



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May 15, 2013

To the Board of Directors
Monroe County Land Bank Fast Track Authority

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Monroe County Land Bank Fast Track Authority for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 26, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Monroe County Land Bank Fast Track Authority are described in Note 2 to the financial statements. All of the accounting policies were adopted during the year under the audit since this is the initial year of operation. We noted no transactions entered into by the government unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates that significantly affected the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not find any such misstatements.

To the Board of Directors
Monroe County Land Bank Fast Track Authority

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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 15, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Monroe County Land Bank Fast Track Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Handwritten signature in cursive script, reading "Cooley Hell Wohlgemuth & Carlton".